

NEWTON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2011

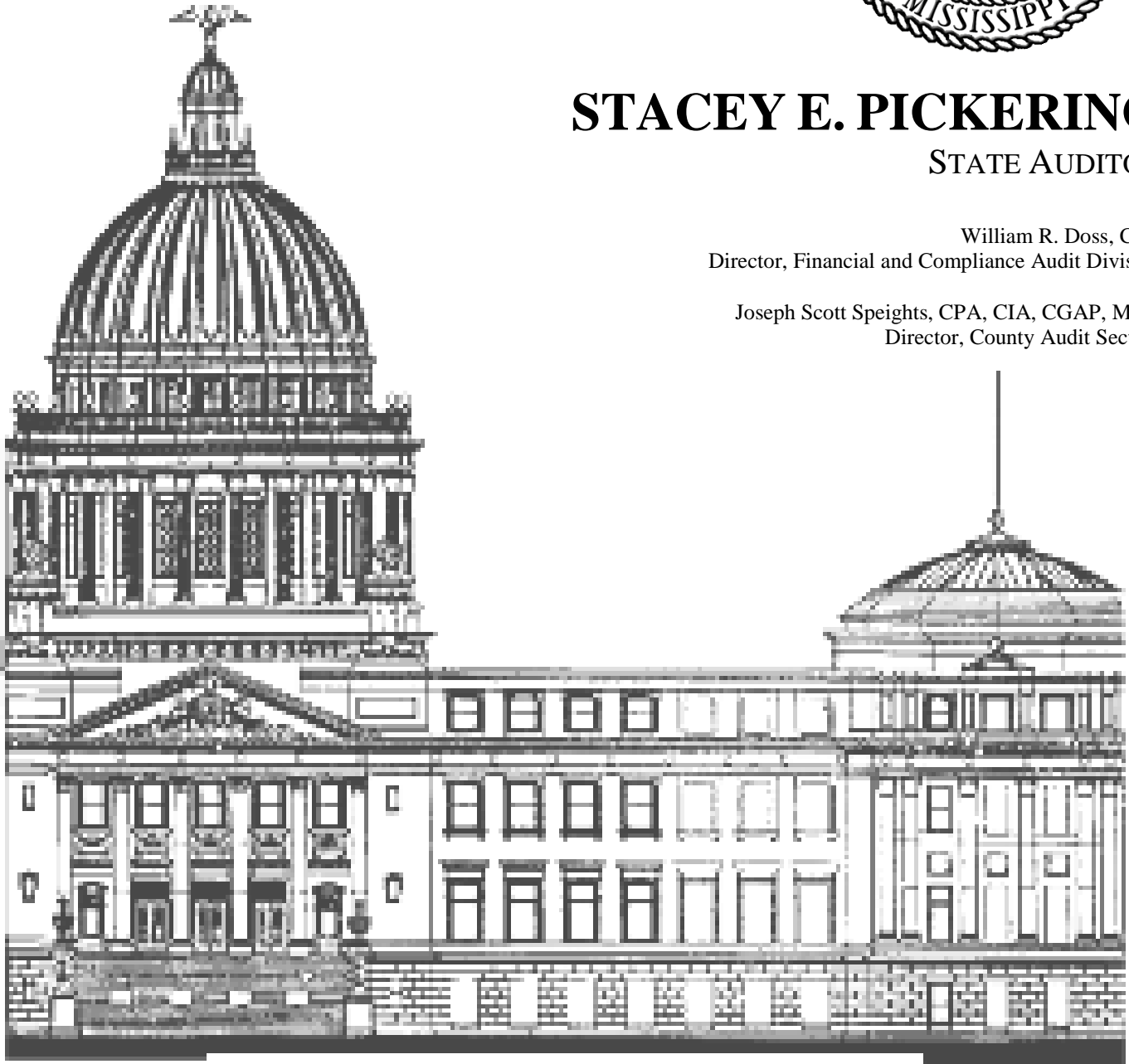


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

January 30, 2013

Members of the Board of Supervisors
Newton County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for Newton County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Newton County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Newton County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering
State Auditor

NEWTON COUNTY
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NEWTON COUNTY

FINANCIAL SECTION

NEWTON COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Newton County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newton County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

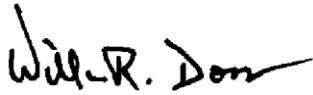
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newton County, Mississippi, as of September 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the county adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013, on our consideration of Newton County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Newton County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly stylized font.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 30, 2013

NEWTON COUNTY

FINANCIAL STATEMENTS

NEWTON COUNTY

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NEWTON COUNTY
Statement of Net Assets
September 30, 2011

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 3,425,778	320,053	3,745,831
Property tax receivable	3,647,964		3,647,964
Accounts receivable (net of allowance for uncollectibles of \$30,285)		272,561	272,561
Fines receivable (net of allowance for uncollectibles of \$2,253,970)	127,816		127,816
Intergovernmental receivables	89,302	29,025	118,327
Other receivables	2,164	57,726	59,890
Internal balances	(54,189)	54,189	
Capital assets:			
Land	285,503	66,000	351,503
Other capital assets, net	6,150,862	458,584	6,609,446
Total Assets	13,675,200	1,258,138	14,933,338
LIABILITIES			
Claims payable	473,605	18,528	492,133
Intergovernmental payables	145,848		145,848
Accrued interest payable	35,701		35,701
Deferred revenue	3,647,964		3,647,964
Other payables	24,499		24,499
Long-term liabilities			
Due within one year:			
Capital debt	483,949		483,949
Due in more than one year:			
Capital debt	3,272,637		3,272,637
Non-capital debt	86,571	9,821	96,392
Total Liabilities	8,170,774	28,349	8,199,123
NET ASSETS			
Invested in capital assets, net of related debt	2,679,779	524,584	3,204,363
Restricted:			
Expendable:			
General government	93,784		93,784
Debt service	83,504		83,504
Public works	866,537	705,205	1,571,742
Economic Development	10,366		10,366
Other purposes	288,508		288,508
Unrestricted	1,481,948		1,481,948
Total Net Assets	\$ 5,504,426	1,229,789	6,734,215

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY
Statement of Activities
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,419,088	416,838	7,110	133,919	(1,861,221)		(1,861,221)
Public safety	2,472,448	276,032	91,872	168,208	(1,936,336)		(1,936,336)
Public works	2,552,457		630,144	134,495	(1,787,818)		(1,787,818)
Health and welfare	296,987		18,115	80,635	(198,237)		(198,237)
Culture and recreation	75,576				(75,576)		(75,576)
Conservation of natural resources	146,959				(146,959)		(146,959)
Economic development and assistance	186,795			7,803	(178,992)		(178,992)
Interest on long-term debt	190,806				(190,806)		(190,806)
Total Governmental Activities	<u>8,341,116</u>	<u>692,870</u>	<u>747,241</u>	<u>525,060</u>	<u>(6,375,945)</u>	<u>0</u>	<u>(6,375,945)</u>
Business-type activities:							
Solid Waste	<u>793,931</u>	<u>858,273</u>	<u>4,859</u>	<u></u>		<u>69,201</u>	<u>69,201</u>
Total Business-type Activities	<u>793,931</u>	<u>858,273</u>	<u>4,859</u>	<u>0</u>		<u>69,201</u>	<u>69,201</u>
Total Primary Government	<u>\$ 9,135,047</u>	<u>1,551,143</u>	<u>752,100</u>	<u>525,060</u>	<u>(6,375,945)</u>	<u>69,201</u>	<u>(6,306,744)</u>
General revenues:							
Property taxes					\$ 5,040,550		5,040,550
Road & bridge privilege taxes					235,885		235,885
Grants and contributions not restricted to specific programs					385,909	65,520	451,429
Unrestricted interest income					17,060	2,128	19,188
Miscellaneous					<u>372,332</u>		<u>372,332</u>
Total General Revenues					<u>6,051,736</u>	<u>67,648</u>	<u>6,119,384</u>
Changes in Net Assets					<u>(324,209)</u>	<u>136,849</u>	<u>(187,360)</u>
Net Assets - Beginning					<u>5,828,635</u>	<u>1,092,940</u>	<u>6,921,575</u>
Net Assets - Ending					<u>\$ 5,504,426</u>	<u>1,229,789</u>	<u>6,734,215</u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY
Balance Sheet - Governmental Funds
September 30, 2011

Exhibit 3

	Major Fund		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 1,889,687	1,536,091	3,425,778
Property tax receivable	2,294,141	1,353,823	3,647,964
Fines receivable (net of allowance for uncollectibles of \$2,253,970)	127,816		127,816
Intergovernmental receivables	89,302		89,302
Due from other funds	49,391	102,771	152,162
Other Receivables	2,164		2,164
Advances to other funds	7,467	281,041	288,508
Total Assets	\$ 4,459,968	3,273,726	7,733,694
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 169,026	304,579	473,605
Intergovernmental payables	139,676		139,676
Due to other funds	57,965	134,058	192,023
Advances from other funds		309,008	309,008
Deferred revenue	2,421,957	1,353,823	3,775,780
Other payables	24,499		24,499
Total Liabilities	2,813,123	2,101,468	4,914,591
Fund balances:			
Nonspendable:			
Advances	7,467	281,041	288,508
Restricted For:			
General Government		93,784	93,784
Public Works		866,537	866,537
Economic Development		10,366	10,366
Debt Service		119,205	119,205
Assigned To:			
General Government	91,926		91,926
Public Safety	41,604		41,604
Unassigned	1,505,848	(198,675)	1,307,173
Total Fund Balances	1,646,845	1,172,258	2,819,103
Total Liabilities and Fund Balances	\$ 4,459,968	3,273,726	7,733,694

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,819,103
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$8,515,853.	6,436,365
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	127,816
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,843,157)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	<u>(35,701)</u>
Total Net Assets - Governmental Activities	\$ <u><u>5,504,426</u></u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2011

	<u>Major Fund</u>		
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
REVENUES			
Property taxes	\$ 3,207,176	1,833,374	5,040,550
Road and bridge privilege taxes	0	235,885	235,885
Licenses, commissions and other revenue	140,309	6,224	146,533
Fines and forfeitures	287,616		287,616
Intergovernmental revenues	793,169	865,041	1,658,210
Charges for services	44,997	233,882	278,879
Interest income	10,863	6,197	17,060
Miscellaneous revenues	184,015	188,317	372,332
Total Revenues	<u>4,668,145</u>	<u>3,368,920</u>	<u>8,037,065</u>
EXPENDITURES			
Current:			
General government	2,333,846	94,079	2,427,925
Public safety	1,570,385	355,956	1,926,341
Public works	300	2,133,131	2,133,431
Health and welfare	111,247	185,740	296,987
Culture and recreation	70,000	5,576	75,576
Conservation of natural resources	146,959		146,959
Economic development and assistance	171,796	14,999	186,795
Debt service:			
Principal	108,032	552,411	660,443
Interest	9,752	153,753	163,505
Total Expenditures	<u>4,522,317</u>	<u>3,495,645</u>	<u>8,017,962</u>
Excess of Revenues over (under) Expenditures	<u>145,828</u>	<u>(126,725)</u>	<u>19,103</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		113,726	113,726
Proceeds from sale of capital assets	3,000		3,000
Transfers in		2,811	2,811
Transfers out	(2,811)		(2,811)
Total Other Financing Sources and Uses	<u>189</u>	<u>116,537</u>	<u>116,726</u>
Net Changes in Fund Balances	<u>146,017</u>	<u>(10,188)</u>	<u>135,829</u>
Fund Balances - Beginning	<u>1,500,828</u>	<u>1,182,446</u>	<u>2,683,274</u>
Fund Balances - Ending	<u>\$ 1,646,845</u>	<u>1,172,258</u>	<u>2,819,103</u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 135,829
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$164,373 were exceeded by depreciation of \$1,038,205 in the current period.	(873,832)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$106,264 and the proceeds from the sale of \$3,000 in the current period.	(109,264)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(20,158)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$660,443 exceeded debt proceeds of \$113,726.	546,717
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences	(888)
The amount of increase in accrued interest payable	<u>(2,613)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(324,209)</u></u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2011

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 320,053
Accounts receivable (net of allowance for uncollectibles of \$30,284)	272,561
Intergovernmental Receivables	29,025
Other receivables	57,726
Due from other funds	61,000
Advances to other funds	20,500
Total Current Assets	<u>760,865</u>
Noncurrent assets:	
Land	66,000
Other capital assets, net	458,584
Total Noncurrent Assets	<u>524,584</u>
Total Assets	<u>1,285,449</u>
LIABILITIES	
Current liabilities:	
Claims payable	18,528
Due to other funds	27,311
Total Current Liabilities	<u>45,839</u>
Noncurrent liabilities:	
Non-capital debt:	
Compensated absences payable	9,821
Total Noncurrent Liabilities	<u>9,821</u>
Total Liabilities	<u>55,660</u>
NET ASSETS	
Invested in capital assets, net of related debt	524,584
Restricted for:	
Public works	705,205
Total Net Assets	<u>\$ 1,229,789</u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2011

Exhibit 6

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 858,273
Miscellaneous	4,859
Total Operating Revenues	<u>863,132</u>
Operating Expenses	
Personal services	370,220
Contractual services	82,349
Materials and supplies	221,787
Depreciation expense	80,047
Indirect administrative cost	27,311
Total Operating Expenses	<u>781,714</u>
Operating Income (Loss)	<u>81,418</u>
Nonoperating Revenues (Expenses)	
Interest income	2,128
Nonoperating grants	65,520
Gain (loss) on sale of capital assets	(12,065)
Interest expense	(152)
Net Nonoperating Revenue (Expenses)	<u>55,431</u>
Net Income (Loss)	136,849
Changes in Net Assets	<u>136,849</u>
Net Assets - Beginning	<u>1,092,940</u>
Net Assets - Ending	<u>\$ 1,229,789</u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY
 Statement of Cash Flows - Proprietary Fund
 For the Year Ended September 30, 2011

Exhibit 7

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 752,967
Payments to suppliers	(309,817)
Payments to employees	(368,121)
Payments to General Fund for indirect costs	(20,169)
Other operating cash receipts	4,859
Net Cash Provided (Used) by Operating Activities	59,719
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	65,520
Cash received from other funds:	(29,025)
Advances from Other Funds	26,000
Loans to Other Funds	(10,000)
Net Cash Provided (Used) by Noncapital Financing Activities	52,495
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(240,839)
Principal paid on long-term debt	(12,324)
Interest paid on debt	(152)
Net Cash Provided (Used) by Capital and Related Financing Activities	(253,315)
Cash Flows From Investing Activities	
Interest on Deposits	2,128
Net Cash Provided (Used) by Investing Activities	2,128
Net Increase (Decrease) in Cash and Cash Equivalents	(138,973)
Cash and Cash Equivalents at Beginning of Year	459,026
Cash and Cash Equivalents at End of Year	\$ 320,053
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 81,418
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	80,047
Provision for uncollectible accounts	(181,889)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	76,583
Increase (decrease) in claims payable	(6,717)
Increase (decrease) in compensated absences liability	3,135
Increase (decrease) in interfund payables	7,142
Total Adjustments	(21,699)
Net Cash Provided (Used) by Operating Activities	\$ 59,719

Noncash Capital Financing Activity:

Newton County lease purchased mobile equipment for \$53,361 for 3 years at 3.28% interest.
 Principal payments of \$12,324 were made on the lease during the year.

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2011

Exhibit 8

		<u>Agency Funds</u>
ASSETS		
Cash	\$	65,879
Due from other funds		<u>6,172</u>
Total Assets	\$	<u><u>72,051</u></u>
LIABILITIES		
Intergovernmental payables	\$	<u>72,051</u>
Total Liabilities	\$	<u><u>72,051</u></u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Newton County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Newton County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the county's reporting entity.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Fund:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

The county reports the following major Enterprise Fund:

Solid Waste Fund - This fund is used to account for the county's activities of disposal of solid waste within the county.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Newton County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds-Statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the county’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the County Administrator pursuant to authorization established by The Board of Supervisors.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$3,811,710, and the bank balance was \$3,976,427. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Solid Waste	\$ 27,311
General	Other Governmental Funds	22,080
Other Governmental Funds	General	51,793
Other Governmental Funds	Other Governmental Funds	50,978
Agency Funds	General	6,172
Solid Waste	Other Governmental Funds	61,000
Total		\$ 219,334

The General Fund receivables are the amount of indirect costs due to solid waste operations, matching requirements on a grant, and funds necessary for operations. The solid waste receivable was to provide funds for necessary operations. The receivables represent the tax revenue collected but not settled until October, 2011. All interfund balances are expected to be repaid within one year from the date of the financial statements.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	\$ 7,467
Other Governmental Funds	Other Governmental Funds	281,041
Solid Waste	Other Governmental Funds	20,500
Total		\$ 309,008

The purpose of the advances was to provide funds for bond payments, bridge improvements, and necessary expenses for operation.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ 2,811

The principal purpose for the interfund transfer was to provide funds for a grant match. The interfund transfer was routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 89,302
Business-type Activities:	
DEQ Grant	\$ 29,025

(6) Other Receivables

The other receivable of \$57,726 in the Proprietary Fund Type is funds due to the Solid Waste Enterprise Fund from the Sprint Auction Company. The county sold garbage trucks through an auction prepared by the company and did not receive payment from the sale before the company filed bankruptcy. There is a court decision pending related the county's collection of these funds.

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

Governmental activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 285,503				285,503
Total non-depreciable					
<u>Depreciable capital assets:</u>					
Infrastructure	1,157,291		3,437		1,153,854
Buildings	4,847,590				4,847,590

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
Mobile equipment	5,220,622	74,928	355,287	522,047	5,462,310
Furniture and equipment	1,107,911	89,445	218,608		978,748
Leased property under capital leases	2,746,260			(522,047)	2,224,213
Total depreciable capital assets	15,079,674	164,373	577,332	0	14,666,715
Less accumulated depreciation for:					
Infrastructure	75,238	23,602	869		97,971
Buildings	1,861,624	78,026			1,939,650
Mobile equipment	3,504,019	458,776	296,441	444,832	4,111,186
Furniture and equipment	778,552	125,691	170,758		733,485
Leased property under capital leases	1,726,283	352,110		(444,832)	1,633,561
Total accumulated depreciation	7,945,716	1,038,205	468,068	0	8,515,853
Total depreciable capital assets, net	7,133,958	(873,832)	109,264	0	6,150,862
Governmental activities capital assets, net	\$ 7,419,461	(873,832)	109,264	0	6,436,365

Adjustments made to capital assets were to reclassify leased property under capital assets to mobile equipment.

Business-type activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments	Balance Sept. 30, 2011
Non-depreciable capital assets:					
Land	\$ 66,000				66,000
Depreciable capital assets:					
Buildings	49,995				49,995
Mobile equipment	653,517	240,839	45,700	153,361	1,002,017
Furniture and equipment	157,858		1,753		156,105
Leased property under capital leases	153,361			(153,361)	
Total depreciable capital assets	1,014,731	240,839	47,453	0	1,208,117
Less accumulated depreciation for:					
Buildings	2,000	1,000			3,000
Mobile equipment	535,588	74,605	33,930	41,407	617,670
Furniture and equipment	125,879	4,442	1,458		128,864
Leased property under capital leases	41,407			(41,407)	
Total accumulated depreciation	704,874	80,047	35,388	0	749,533
Total depreciable capital assets, net	309,857	160,792	2,065	0	458,584
Business-type activities capital assets, net	\$ 375,857	160,792	12,065	0	524,584

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Depreciation expense was charged to the following functions:

Governmental Activities:	<u>Amount</u>
General government	\$ 49,699
Public safety	595,618
Public works	<u>392,888</u>
Total governmental activities depreciation expense	<u>1,038,205</u>
Business-Type activities:	
Solid waste	<u>80,047</u>

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,802,058
Furniture and equipment	<u>422,155</u>
Total	2,224,213
Less: Accumulated depreciation	<u>1,633,561</u>
Leased Property Under Capital Leases	<u>\$ 590,652</u>

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The following is a schedule by years of the total payments due as of September 30, 2011:

Year Ending September 30		Governmental Activities	
		Principal	Interest
2012	\$	291,808	33,089
2013		270,830	23,473
2014		394,454	17,462
2015		93,203	3,106
2016		50,130	705
Total	\$	<u>1,100,425</u>	<u>77,835</u>

(10) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
District 1 road & bridge bonds – 2009	\$ 380,000	3.90%	11/2024
Jail construction bonds	1,655,000	4.00% to 5.70%	10/2021
District 4 road & bridge bonds – 2009	<u>437,000</u>	3.80%	10/2023
Total General Obligation Bonds	<u>\$ 2,472,000</u>		
B. Capital Leases:			
2008 Dodge Charger	\$ 737	3.29%	10/2011
2009 Dodge Charger	2,532	3.34%	01/2012
2009 Dodge Charger	9,466	3.10%	10/2012
2009 Dodge Charger	9,466	3.10%	10/2012
District 4 Cat 12h motor grader	108,417	2.86%	06/2016
District 3 Cat 12h motor grader	94,376	3.65%	06/2016
District 1 Cat 12h motor grader	94,376	3.65%	06/2016
District 4 2004 Cat 320cl excavator	43,849	3.59%	07/2014
District 3 Cat 320dl excavator	115,524	3.39%	08/2014
District 5 Cat motor grader	152,205	3.39%	08/2014
District 4 2004 Cat 416d backhoe	13,773	3.59%	07/2014
District 3 416d rubber tire backhoe	7,408	3.30%	08/2012
District 1 2007 Mack dump trucks	14,293	3.96%	05/2012
District 5 2007 Mack dump truck	14,293	3.96%	05/2012
District 4 2007 Mack dump truck	59,824	4.35%	03/2018
District 4 2007 Mack dump truck	56,408	3.69%	04/2013

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
District 1 2008 Ford F150 pickup	5,097	6.09%	05/2013
District 3 2008 Chevy C1500 pickup	7,659	3.45%	07/2013
911 Equipment	198,754	3.23%	12/2014
Radios	24,247	3.24%	02/2013
District 2 Kubota tractor	33,943	3.37%	04/2015
District 3 2007 Mack truck	33,778	3.25%	05/2015
Total Capital Leases	\$ 1,100,425		
C. Other Loans:			
State of Mississippi CAP Loan	184,161	2.00%	11/2018

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2012	\$ 168,000	99,282	24,141	3,463
2013	175,000	92,500	24,629	2,975
2014	181,000	85,496	25,126	2,478
2015	192,000	77,919	25,633	1,971
2016	199,000	69,845	26,150	1,454
2017 – 2021	1,147,000	212,125	58,482	1,326
2022 – 2026	410,000	20,959		
Total	\$ 2,472,000	658,126	184,161	13,667

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was equal to 2.22% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	Balance Oct. 1, 2010	Additions	Reductions	Adjustments	Balance Sept. 30, 2011	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 85,683	888			86,571	
General obligation bonds	2,629,000		157,000		2,472,000	168,000
Capital leases	1,466,478	113,726	479,779		1,100,425	291,808
Other loans	207,825		23,664		184,161	24,141
Total	\$ 4,388,986	114,614	660,443	0	3,843,157	483,949
Business-type Activities:						
Compensated absences	\$ 6,686	3,135			9,821	0
Capital leases	12,324		12,324		0	0
	19,010	3,135	12,324	0	9,821	0

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road and Bridge Maintenance Funds, E911 Fund and Solid Waste Fund.

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2011:

<u>Fund</u>	<u>Deficit Amount</u>
Fire protection	\$ 4,060
Countywide road and bridge	16,166
District 1 road	12,310
District 5 road	12,100
E911	146,705
District 4 road bond I&S	14,560
District 4 road and bridge bonds – 2009	19,893
District 5 road bond I&S	36
CDBG – Senior citizens center	101,125

(12) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(13) Joint Venture.

The county participates in the following joint venture:

Newton County is a participant with Kemper County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Kemper-Newton Regional Library System. The joint venture was created to provide free public library service to the citizens of the respective counties. The Newton County Board of Supervisors alternately appoints two or three of the five members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was \$70,000 in fiscal year 2011. Complete financial statements for the Kemper-Newton Regional Library System can be obtained from 101 Peachtree Street, Union, MS 39365.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Mid-Mississippi Development District operates in a district composed of the Counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was organized to foster, encourage and facilitate economic development in the member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The county appropriated \$30,300 for support of the district in fiscal year 2011.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Newton County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated \$13,189 for support of the district in fiscal year 2011.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Newton County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$29,500 for support of the commission in fiscal year 2011.

The Multi-County Community Service Agency operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Newton County Board of Supervisors appoints one of the 24 members of the board of directors. Most of the funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants.

East Central Community College operates in a district composed of the Counties of Leake, Neshoba, Newton, Scott and Winston. The Newton County Board of Supervisors appoints one of the 30 members of the college board of trustees. The county appropriated \$362,294 for maintenance and support of the college in fiscal year 2011.

(15) Defined Benefit Pension Plan.

Plan Description. Newton County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$315,936, \$332,387 and \$317,332, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Newton County evaluated the activity of the county through January 30, 2013, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Subsequent to September 30, 2011, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/05/2011	2.33%	\$ 25,150	Capital lease	Ad valorem taxes
03/01/2012	2.43%	1,615,000	G.O. Refunding bond	Ad valorem taxes
06/05/2012	1.65%	57,441	Capital lease	Ad valorem taxes
06/06/2012	1.89%	28,066	Capital lease	Ad valorem taxes
10/01/2012	1.90/2.70%	600,000	G.O. Refunding bond	Ad valorem taxes
10/26/2012	1.74%	24,769	Capital lease	Ad valorem taxes
11/15/2012	1.71%	27,200	Capital lease	Ad valorem taxes

NEWTON COUNTY

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NEWTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

NEWTON COUNTY

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NEWTON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,098,173	3,204,527	3,204,527	
Licenses, commissions and other revenue	186,000	138,094	138,094	
Fines and forfeitures	237,000	289,053	289,053	
Intergovernmental revenues	889,900	1,077,049	1,077,049	
Charges for services	43,000	44,997	44,997	
Interest income	21,175	11,052	11,052	
Miscellaneous revenues	165,900	190,256	190,256	
Total Revenues	<u>4,641,148</u>	<u>4,955,028</u>	<u>4,955,028</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,731,576	2,533,840	2,533,840	
Public safety	1,561,050	1,684,638	1,684,638	
Public works	300	300	300	
Health and welfare	111,015	113,621	113,621	
Culture and recreation	71,000	70,000	70,000	
Education	254,400	255,533	255,533	
Conservation of natural resources	155,470	147,434	147,434	
Economic development and assistance	43,989	171,796	171,796	
Other Expenditures	7,500	8,123	8,123	
Total Expenditures	<u>4,936,300</u>	<u>4,985,285</u>	<u>4,985,285</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(295,152)</u>	<u>(30,257)</u>	<u>(30,257)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	3,500			
Compensation on loss of capital assets		26,895	26,895	
Sale of Assets		5,301	5,301	
Transfers In	291,648	198,936	198,936	
Transfers Out		(2,811)	(2,811)	
Total Other Financing Sources and Uses	<u>295,148</u>	<u>228,321</u>	<u>228,321</u>	<u>0</u>
Net Change in Fund Balance	(4)	198,064	198,064	
Fund Balances - Beginning	<u>1,500,828</u>	<u>1,500,828</u>	<u>1,500,828</u>	
Fund Balances - Ending	<u>\$ 1,500,824</u>	<u>1,698,892</u>	<u>1,698,892</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

NEWTON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2011

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

		<u>Governmental Fund Type</u>
		<u>General</u>
		<u>Fund</u>
Budget (Cash Basis)	\$	198,064
Increase (Decrease)		
Net adjustments for revenue accruals		(420,936)
Net adjustments for expenditure accruals		<u>368,889</u>
GAAP Basis		<u><u>146,017</u></u>

NEWTON COUNTY

SPECIAL REPORTS

NEWTON COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Newton County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newton County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated January 30, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Newton County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 11-1 and 11-2 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 11-3 to be a significant deficiency.

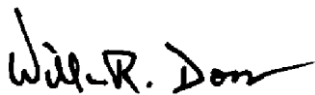
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newton County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 11-1.

We also noted certain instances of noncompliance which we have reported to the management of Newton County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated January 30, 2013, included within this document.

Newton County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Newton County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive, flowing style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 30, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors
Newton County, Mississippi

We have examined Newton County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Newton County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Newton County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Inventory Control Clerk.

Controls over capital assets should be strengthened.

1. Finding

Section 31-7-107, Miss. Code Ann. (1972) requires the county to establish and maintain an inventory control system. An effective system of internal control over capital assets ensures that capital assets are reported in the proper categories at the correct amounts. As reported in the prior two year's audit reports, weak internal controls existed over capital assets.

We noted the following deficiencies:

- a. Infrastructure was overstated by \$855,682 on the financial statements, which included \$859,119 that was overstated as additions for two bridges that were included in the beginning balance and \$3,437 that was understated for a deleted bridge that was removed in fiscal year 2011 but not reported in the financial statements.
- b. Excess depreciation was taken on buildings in the amount of \$6,502 due to incorrect salvage values set up in the capital asset records.
- c. The ending balance in accumulated depreciation was overstated by \$47,654 due to an incorrect calculation.
- d. Depreciation of infrastructure was understated by \$2,150 due to incorrect salvage values set up in the capital assets records.

Failure to implement internal controls over capital assets could lead to possible misappropriation of assets, and possible misstated financial statement amounts.

Recommendation

The Inventory Control Clerk should ensure that all capital asset additions and deletions are properly managed each year. Also, the clerk should ensure that depreciation calculations are accurate in the inventory system.

Inventory Control Clerk's Response

- a. I did not prepare the financial report for the county.
- b. Salvage values will be reviewed and corrected.
- c. I not prepare the financial statements.
- d. Salvage values will be reviewed and corrected.

Auditor's Note

Although the Inventory Control Clerk did not prepare the financial statements, they were prepared by the County Administrator who used the Clerks' Inventory Report in preparing the financial statement amounts and disclosures for capital assets.

Required inventory reports were not prepared timely.

2. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires inventory reports to be filed with the Board of Supervisors, in triplicate with copies forwarded to the Office of the State Auditor no later than October 15th of each fiscal year. The required inventory reports were not prepared by the Inventory Control Clerk.

Recommendation

The Inventory Control Clerk should prepare the inventory reports, as required by law.

Inventory Clerk's Response

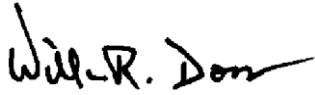
A report will be delivered to the State Audit Department as required by law.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Newton County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Newton County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Newton County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 30, 2013

NEWTON COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2011

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
04/04/2011	2012 Compactor/ Freight Liner	\$ 116,100	Hol Mac	\$ 114,508	Options on truck with higher bid met BOS specifications

NEWTON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2011

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
08/18/2011	Bridge	\$ 64,880	Joe McGee Construction	Broken pile-up under bridge and recommended closure by State Aid Engineers

NEWTONCOUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2011

Our test results did not identify any purchases made noncompetitively from a sole source.



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Newton County, Mississippi

In planning and performing our audit of the financial statements of Newton County, Mississippi for the year ended September 30, 2011, we considered Newton County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Newton County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated January 30, 2013, on the financial statements of Newton County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified an immaterial instance of noncompliance with state laws and regulations that is an opportunity for strengthening internal controls and operating efficiency. Our finding, recommendation, and your response is disclosed below:

Chancery Clerk.

Chancery Clerk did not pay all amounts in excess of the salary cap timely.

Finding

Section 9-1-43, Miss. Code Ann. (1972), states that any fees received by the office of the Chancery Clerk that are in excess of the \$90,000 salary limitation shall be deposited by such clerk into the County General Fund on or before April 15th of the subsequent calendar year. It was noted that the Chancery Clerk did not pay all amounts in excess of the salary cap by the required date. The amounts were paid in full to the General County Fund on 9/10/2012.

Recommendation

The Clerk should ensure that all amounts in excess of the salary cap are properly paid to the county each year on or before April 15th of the subsequent year.

Chancery Clerk's Response

I reported excess fees based on Delta Computer Clearing account program and failed to review PERS report which showed another amount to be refunded to the county. Both reports will be reviewed before April 15, 2013.

Newton County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 30, 2013

NEWTON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

NEWTON COUNTY

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NEWTON COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | Business-type activities | Unqualified |
| | General Fund | Unqualified |
| | Solid Waste Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiency identified? | Yes |
| 3. | Noncompliance material to the financial statements noted? | Yes. |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

Material Non-Compliance

- 11-1. Warrants should not be signed without sufficient money in the fund.

Finding

Section 19-13-43, Miss. Code. Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. As reported in the prior three year's audit reports, warrants were issued on funds which did not have sufficient money available. At September 30, 2011, the County E-911 Fund had a negative cash balance of \$146,705 and the Countywide Road Fund had a negative cash balance of \$6,481. Failure to maintain sufficient cash balances in county funds prior to writing checks on these funds results in other funds' cash being used for purposes other than their intended purpose.

Recommendation

The County Administrator should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Board of Supervisors' Response

The E-911 Fund has been closed out and is now accounted for in the General Fund. We will work to correct the negative balance in the Countywide Road Fund.

NEWTON COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2011

Inventory Control Clerk.

Material Weakness

11-2. Controls over capital assets should be strengthened.

Finding

An effective system of internal control over capital assets ensures that capital assets are reported in the proper categories at the correct amounts. As reported in the prior two year's audit reports, weak internal controls existed over capital assets. We noted the following deficiencies:

- a. Infrastructure was overstated by \$855,682 on the financial statements, which included \$859,119 that was overstated as additions for two bridges that were included in the beginning balance and \$3,437 that was understated for a deleted bridge that was removed in fiscal year 2011 but not reported in the financial statements.
- b. Excess depreciation was taken on buildings in the amount of \$6,502 due to incorrect salvage values set up in the capital asset records.
- c. The ending balance in accumulated depreciation was overstated by \$47,654 due to an incorrect calculation.
- d. Depreciation of infrastructure was understated by \$2,150 due to incorrect salvage values set up in the capital assets records.

Failure to implement internal controls over capital assets could lead to possible misappropriation of assets, and possible misstated financial statement amounts.

Recommendation

The Inventory Control Clerk should ensure that all capital asset additions and deletions are properly managed each year. Also, the clerk should ensure that depreciation calculations are accurate in the inventory system.

Inventory Control Clerk's Response

- a. I did not prepare the financial report for the county.
- b. Salvage values will be reviewed and corrected.
- c. I not prepare the financial statements.
- d. Salvage values will be reviewed and corrected.

Auditor's Note

Although the Inventory Control Clerk did not prepare the financial statements, they were prepared by the County Administrator who used the Clerk's Inventory Report in preparing the financial statement amounts and disclosures for capital assets.

NEWTON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2011

Sheriff.

Significant Deficiency

11-3. Sheriff's Office is not making deposits daily.

Finding

Management is responsible for establishing a proper internal control system to ensure a strong financial accountability and safeguarding of assets and revenue. During our test of internal controls of the Sheriff's Office receipts, we noted two out of six deposits were not made in a timely manner. It was also noted that four months out of the year only had one deposit made for the entire month. Inadequate controls surrounding the deposits of revenue collections could result in misappropriation of assets and improper revenue recognition.

Recommendation

We recommend that in the future all revenue collected in the Sheriff's office be deposited daily.

Board of Supervisors' Response

From this day forward deposits will be made as recommended and be made daily.